

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: TERRI CARLOCK

DATE: NOVEMBER 23, 2011


RE: ANNUAL DETERMINATION OF THE INTEREST RATES ON
DEPOSITS COLLECTED FROM CUSTOMERS FOR THE CALENDAR
YEAR 2012. CASE NO. GNR-U-11-01.

Every year the Commission sets the interest rate to be paid on customer deposits for the next calendar year. Rule 106 of the of the Customer Relations Rules for Gas, Electric and Water Utilities provides: "the Commission will determine the twelve-month average interest rate for one-year Treasury Bills for the previous November 1 through October 31, round that rate to the nearest whole percent...". (IDAPA 31.21.01.106 and IDAPA 31.41.01.104). This average interest rate is 0.21% as shown on Attachment A. Similar to last year, Staff believes zero is not a "whole percent" interest rate, therefore Staff recommends the rate be set at 1%, as is currently the 2011 rate.

Rule 9 of the Customer Relations Rules for Gas, Electric and Water Utilities allows the Commission on its own motion to approve a deviation of the rule in unusual circumstances (Exemption from Rules, IDAPA 31.21.01.009). Staff believes the current low interest rates represent an unusual situation. Fairness supports the belief that payment of zero interest is not the intent behind the rule stating "interest will be payable on all deposited amounts." *Id.* The chart on Attachment B shows the interest rates since 1990 and the Order numbers approving those rates.

COMMISSION DECISION

Should the interest rate paid on deposits collected from customers for the calendar year 2012 be set at 1%?



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APPENDIX **ONE-YEAR TREASURY RATES**

| Week Ended | Rate % | Week Ended | Rate % |
|------------|--------|------------|--------|
| 11/5/2010 | 0.22 | 5/6/2011 | 0.18 |
| 11/12/2010 | 0.27 | 5/13/2011 | 0.19 |
| 11/19/2010 | 0.27 | 5/20/2011 | 0.18 |
| 11/26/2010 | 0.28 | 5/27/2011 | 0.18 |
| 12/3/2010 | 0.26 | 6/3/2011 | 0.18 |
| 12/10/2010 | 0.29 | 6/10/2011 | 0.19 |
| 12/17/2010 | 0.30 | 6/17/2011 | 0.17 |
| 12/23/2010 | 0.30 | 6/24/2011 | 0.16 |
| 12/31/2010 | 0.29 | 7/1/2011 | 0.20 |
| 1/7/2011 | 0.29 | 7/8/2011 | 0.17 |
| 1/14/2011 | 0.27 | 7/15/2011 | 0.15 |
| 1/21/2011 | 0.27 | 7/22/2011 | 0.20 |
| 1/28/2011 | 0.24 | 7/29/2011 | 0.20 |
| 2/4/2011 | 0.31 | 8/5/2011 | 0.11 |
| 2/11/2011 | 0.30 | 8/12/2011 | 0.11 |
| 2/18/2011 | 0.28 | 8/19/2011 | 0.10 |
| 2/25/2011 | 0.27 | 8/26/2011 | 0.09 |
| 3/4/2011 | 0.26 | 9/2/2011 | 0.10 |
| 3/11/2011 | 0.24 | 9/9/2011 | 0.11 |
| 3/18/2011 | 0.23 | 9/16/2011 | 0.09 |
| 3/25/2011 | 0.30 | 9/23/2011 | 0.10 |
| 4/1/2011 | 0.27 | 9/30/2011 | 0.13 |
| 4/8/2011 | 0.27 | 10/7/2011 | 0.11 |
| 4/15/2011 | 0.24 | 10/14/2011 | 0.11 |
| 4/21/2011 | 0.23 | 10/21/2011 | 0.12 |
| 4/29/2011 | 0.22 | 10/28/2011 | 0.13 |
| | | AVERAGE | 0.21 % |

Source: Federal Reserve Treasury Rates
One-Year Constant Maturities

Attachment A

Interest Rates on Deposits

| <u>Calendar Year</u> | <u>Interest Rate</u> | <u>Order No.</u> |
|----------------------|----------------------|------------------|
| 1990 | 9% | 22836 |
| 1991 | 8% | 23425 |
| 1992 | 6% | 23971 |
| 1993 | 4% | 24578 |
| 1994 | 3% | 25242 |
| 1995 | 5% | 25788 |
| 1996 | 6% | 26233 |
| 1997 | 6% | 26681 |
| 1998 | 6% | 27248 |
| 1999 | 5% | 27828 |
| 2000 | 5% | 28234 |
| 2001 | 6% | 28575 |
| 2002 | 4% | 28896 |
| 2003 | 2% | 29158 |
| 2004 | 1% | 29386 |
| 2005 | 2% | 29653 |
| 2006 | 3% | 29932 |
| 2007 | 5% | 30200 |
| 2008 | 5% | 30469 |
| 2009 | 2% | 30692 |
| 2010 | 1% | 30965 |
| 2011 | 1% | 32109 |